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A REVIEW
OF THE
DAIRY PRODUCE TRADE

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A REVIEW OF THE DAIRY PRODUCE TRADE.

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For some years past I have prepared an annual review of the dairying industry with special reference to the international trade in butter and cheese. The situation has been changing so rapidly during the past decade, at least as far as Canada is concerned, that it has been possible to present this subject with a sufficiency of new matter each succeeding year to avoid the charge of repetition, although I am well aware that the subject is naturally a dry one. I do not choose it for a popular one, but because I feel that it deserves the attention of the members of this association. In previous years, I have given more or less prominence to the Canadian export trade, but on the present occasion, I propose to deal more particularly with the home trade which is every year becoming more important and which is now at least five or six times as large as the export trade.

INTERNATIONAL TRADE.

Before going on to discuss the home trade, we will do well, however, to consider for a moment some of the leading features of the international trade in butter and cheese during the past season. If we take the imports of butter and cheese into the United Kingdom we have a fair presentation of the world's commerce in these articles, together with the names of most of the countries participating in it. The following table will be of interest in this connection:

IMPORTS OF BUTTER AND CHEESE (Quantities only) into the United Kingdom for twelve months ended November 30, 1911 and 1912.

From	BUTTER		CHEESE	
	1911.	1912.	1911.	1912.
	Lbs.	Lbs.	Lbs.	Lbs.
Russia.....	71,534,624	77,019,152		
Sweden.....	40,681,256	37,195,760		
Denmark.....	193,914,496	177,649,136		
Netherlands.....	11,992,960	12,499,648	23,822,400	28,708,736
France.....	20,309,072	26,543,440		
United States.....	2,611,392	290,864	16,851,856	2,839,872
Argentina.....	1,500,912	6,733,216		
Australia.....	99,467,648	65,211,328	1,411,424	159,264
New Zealand.....	35,971,936	36,817,536	46,307,296	65,009,728
Canada.....	6,934,928	4,256	170,634,976	151,238,416
Italy.....			8,504,048	9,887,808
Germany.....	26,880			
Other countries.....	9,404,080	5,597,424	3,522,176	3,458,896
	494,287,184	445,561,760	271,104,176	261,302,720

It will be observed that larger quantities of butter were received from Russia, The Netherlands, France, Argentine Republic and New Zealand in 1912 as compared with 1911. On the other hand, Sweden, Denmark, United States, Australia and Canada sent smaller quantities, the total net decrease being over 49,000,000 pounds. With respect to cheese we have a large increase from New Zealand and a corresponding decrease from Canada. Australia is still suffering from drought which accounts for a further drop of 30,000,000 pounds in the exports of butter from that country. The apparent increase from the Argentine is owing to the shipments in 1911 being abnormally low. There are no signs of any permanent increase from that country. The increase in cheese and butter shipments from New Zealand probably have greater significance for Canadian dairymen than any other figures in the foregoing table. Conditions in New Zealand point to a continued expansion of cheese and butter manufacturing in that country. The returns from dairying are so much higher per acre than they are from sheep farming, that large areas which have been carrying sheep since the country was first settled are now being cut up into smaller farms for milk production.

CANADIAN EXPORTS.

In the years 1909, 1910 and 1911 the value of our total exports of dairy produce increased by several million dollars, but in the figures for 1912 we are confronted with a decrease in the quantity of all products and a decrease in total value of \$5,000,000 as compared with 1911. (These are the unrevised figures of Trade and Navigation, which may be slightly changed later.)

The following table will be useful for comparison:

THE TOTAL EXPORTS OF DAIRY PRODUCE for 12 months ended Nov. 30th.
1910, 1911 and 1912 were as follows (Unrevised Statement
of Trade and Navigation.)

QUANTITIES.

Products.		1912.	1911.	1910.
Cheese.....	Lbs.	140,837,605	168,256,026	182,893,660
Butter.....	"	552,160	9,753,386	3,736,369
Casein.....	"	328,543	1,172,263	
Condensed milk.....	"	238,729	6,209,162	7,655,939
Milk, fresh.....	Galls.	4,280	291,250	
Cream.....	"	606,168	1,075,765	1,651,972

VALUES.

Products.	1912.	1911.	1910.
	\$	\$	\$
Cheese.....	18,790,019	21,208,567	20,920,172
Butter.....	144,328	2,089,828	863,846
Casein.....	14,258	41,209	
Condensed milk.....	17,293	440,438	452,760
Milk, fresh.....	755	2,285	
Cream.....	559,314	934,550	1,594,758
Totals.....	19,525,877	24,716,967	23,831,536

Canadian statistics fail to show that a single pound of butter was shipped to Great Britain since the first of April last, but the accounts relating to trade and navigation for the United Kingdom credit 224 pounds of butter as coming from Canada during eight months ended November 30, 1912. Of course shipments to the Old Country do not represent our total export as there is a regular business in tinned butter from the Maritime Provinces to the West Indies and a quantity of inferior butter goes regularly to the United States, but we have to admit that the export of butter from Canada during 1912 was the smallest since 1850. We are also confronted with the further and rather astonishing fact, that our imports of butter during the past year have greatly exceeded our exports. Under these conditions Canada must be listed among the butter importing countries of the world.

The figures in the foregoing table do not take account of the stocks of cheese on hand at the closed of the period in each year, but if we assume that they were about the same at the end of November last, as they were in 1911, the decrease of 28,000,000 pounds is the largest for several years and just double the decrease of 1911 as compared with 1910.

CREAM SHIPMENTS.

The decrease in cream and casein shipments go together as the casein is made chiefly in cream shipping factories. No one who has the interest of the Canadian dairying industry at heart will regret the decline in the export of cream. Of course the factories cannot be blamed for taking advantage of this outlet when it gives them better returns than can be got through the manufacture of butter or cheese, but there is satisfaction in the fact that the state of our own markets made this trade less attractive last season than it was in 1911.

THE UPS AND DOWNS OF THE CANADIAN EXPORT OF BUTTER.

Just here it may be interesting to take a glance backward at the record of the export of butter from this country. Small quantities were exported as early as 1800, but it was not until the forties that a regular trade of any importance was established. In the year 1850 the quantity exported was 1,319,920 pounds which was increased to 7,275,426 pounds in 1860. In 1868 the exports had risen to 10,000,000 pounds, and down to 1882 the quantity varied from that figure to over 19,000,000 pounds annually, after which date it declined rapidly until in 1890 it was less than 2,000,000 pounds. This decline was partly due to the expansion of the cheese-making industry and partly to the relatively poor reputation of Canadian butter abroad at that time.

Other countries had been making great advances in the art of butter making, while little progress had been made down to that time in Canada; and further, our storage and transportation facilities were inadequate for a successful export trade in the face of the competition then existing. The advent of Australasian butter on the British market about this time supplied more of the winter requirements with a freshly made article, and thus Canadian stored butter found a very poor demand at a correspondingly low price. On the other hand Canadian cheese was in favour, the price paid for it was relatively high, and consequently, it gave better returns to the farmers. This encouraged the making of cheese.

In 1895 a move was made to provide cold storage space on ships sailing from Montreal, which together with the erection of mechanical cold storages for holding the butter gave a new impetus to butter making in Canada. The exports again increased until the maximum of 34,000,000 pounds was reached in 1903. Then began that era of marvellous expansion and increase of population in Canada of which we have happily not yet seen the end, but which has already so effectually checked the growth of our total foreign trade in dairy products.

The cheese trade has not been affected by the new conditions to the same extent as the butter trade has, for the reason that cheese is by no means the universal article of diet that butter is, and the great majority of Canadians will do without it and not miss it very much. Butter occupies a much different place in the estimation of the people generally, and is looked upon as a necessity. This makes it more subject to the laws of supply and demand.

IMPORTS OF BUTTER INTO CANADA.

The volume of our imports of butter during the past year or two, and especially during the past few months, has attracted a good deal of attention and has given rise to a good deal of comment. It certainly is rather surprising that a great dairying country like Canada should find it necessary to go to the opposite end of the earth for so large a proportion of its supply of butter. During the twelve months ended November 30th, which period we have taken as a basis for our comparisons, the total import was 6,694,722 pounds, and the indications are that for the fiscal year which will end on March 31 next the figures will approximate 7,000,000 pounds.

The bulk of this butter consists of direct shipments from New Zealand to Vancouver to supply the Pacific Coast trade. It may be of interest to Ontario producers to learn that thus New Zealand butter is finding so much favour with consumers at the Pacific Coast that they are paying a premium of 1 and 2 cents per pound above the price at which butter from Eastern Canada may be obtained.

There is, however, no serious reflection on Canadian butter makers in this fact. The New Zealand butter, as it arrives in Canada, is a freshly made grass product which is carried during the three weeks voyage from New Zealand at a very low temperature in the ship's refrigerator. In all probability it suffers less deterioration in transit than does the butter from Montreal or Western Ontario in going across the Continent in a refrigerator car. The preference thus shown however, indicates that the trade which is now so well started, may become a permanent one no matter whether Canadian butter is equal to the supply or not.

Before we leave this matter of the importation of butter by Canada, it may be well to point out that it is not by any means a new thing, as many seem to think it is. We have imported some butter regularly for over 20 years. In 1896 the quantity imported was 289,435 pounds; in 1903 it had risen to 539,711 pounds, and in 1908 to 738,200 pounds.

DAIRYING NOT ON THE DECLINE IN CANADA.

The decrease in our exports during recent years has led many people to think that the dairying industry in Canada is on the decline, or at best not making any progress. The farmers have been blamed in some quarters for their lack of enterprise. The governments have been urged to 'do something' to have this so-called reproach removed from Canadian agriculture and so on. These are superficial views of the situation, and opposed to them I make the assertion that *there has been as much increase in milk production, taking Canada as a whole, during the past decade as there was during any other similar period in the history of the industry.* Our estimate of the situation is often wrong, because we fail to realize the quantity it takes to provide an increased population of say two and a half million people with milk and milk products, nor have we taken into account some new demands which have lately arisen. In one way or another Canadians are consuming between thirty and forty million dollars worth a year more of dairy products than they did ten years ago. Let me give you an illustration of this increase. During the period when the creameries in Alberta and Saskatchewan were operated by the Dominion Government, it was a part of my duty to find a

market for the butter produced therein. In 1903 the total output of creamery butter in these Provinces was less than three quarters of a million pounds. At that time there was no butter being shipped to the western provinces from Eastern Canada, and yet we found it necessary to export over 100,000 pounds to Great Britain to avoid a serious glut in the British Columbia and Prairie markets.

Now contrast that state of affairs with the past year. In the first place, Alberta and Saskatchewan produced about four million pounds of creamery butter in 1912; at least 200,000 boxes or 11,200,000 pounds were shipped from Ontario and Quebec to points west of the great Lakes; 100,000 boxes or 5,600,000 pounds will be imported from New Zealand (April, 1912, to March, 1913) making a total of 20,000,000 pounds in 1912-13 as against half a million pounds which met all requirements in 1903-04. These figures refer to creamery butter only, but there has also been a very large increase in the output of dairy butter in the Western Provinces, most of which is consumed locally. I have no statistics for Manitoba, but the conditions in that Province do not differ greatly from those in Alberta and Saskatchewan. Now, when we consider that the population east of the Lakes has increased very nearly as much during this period as it has in the Western Provinces, we get some idea of why our exports have fallen off.

CREAM AND ICE CREAM CONSUMPTION.

Butter is only one item of several. I have been impressed as every one who observes these things must have been, by the enormous increase in sweet cream consumption in the towns and cities and the great development of the ice cream business during the past six or eight years. We have recently made an attempt to collect some statistics of the cream and ice cream trades in twenty-four cities throughout Canada, and after a careful estimate I find that during 1912 the quantity of cream used in the manufacture of ice cream in these places was equivalent to nearly two million pounds of butter or over four million pounds of cheese. If we add to this the sweet cream sold, we have a total which represents over six million pounds of butter or thirteen million pounds of cheese. This estimate takes no account of the hundreds of small businesses scattered through all the smaller towns. The surprising thing about this trade is, that as far as the ice cream is concerned, it has developed within the last six or eight years, and most of it is of much more recent origin. Of sixty establishments from which returns were obtained, all but thirteen have been started since 1904. The managers of these establishments say that their trade in 1912 showed an increase of 20 per cent over 1911, notwithstanding the fact that it was a phenomenally cool season and very unfavourable for the consumption of ice cream.

If we add to this increased consumption of butter and cream the enormous increase in the quantity of milk required for home use, to say nothing of the condensed milk business, we do not find it difficult to account for a lack of growth or even the decline in our export trade. I am satisfied that our home consumption of milk and its products is now easily up to the \$100,000,000 mark.

HOME MARKETS DESERVE ATTENTION.

Now, Mr. President, I have not taken the trouble to collect these figures merely to state a few more or less interesting facts. My object is rather to direct some attention to what is undoubtedly the most important market for the dairying industry in this country. Our attention has in the past, been focused on the export trade, but it must be evident that we need to shift our point of view if the whole industry is to receive proper attention. I do not want to be understood as advocating that we should relax the efforts which have kept our exports up to the present high standard of quality, because that would be a very great

mistake so long as we have anything to export—and I hope and believe that we shall have a share of the international trade for many years to come.

This association has always been representative of the cheese factory and creamery interests, but it would seem as though the time had arrived when it should be more inclusive in its activities and take some notice of other branches of the industry, the city milk and cream trade, for instance, unless it may be thought advisable to have separate organizations to deal specially with these branches.

COST OF DISTRIBUTION.

Cheese and butter producers in Canada have so far had every reason to to congratulate themselves on the low cost of distributing their products. The difference between the price which the producer receives for his butter and cheese and that which is paid by the consumer is less than for almost any other article produced on the farm. This applies more particularly to cheese and butter retailed in Great Britain than it does to that which is sold in Canada. The retail price of cheese is usually much lower in Great Britain than it is in this country for goods of the same character and quality. Best, "Brockvilles," were being sold in the retail shops in London three weeks ago at 15½ to 16 cents per pound while consumers in Ontario were paying 18 to 20 cents and even more. The circumstances under which the cheese is retailed in the two countries differ sufficiently to partially account for the higher cost of distribution in Canada, but there is more difference than there should be, and it is a point which should not be lost sight of. Canadian dairymen will do well to watch the disposal of their products in the home markets to see that the cost of distribution does not become still more excessive, or that the tolls taken by middlemen are neither too large or too many. I have no blind opposition to middlemen, because I believe that the successful distribution of produce calls for special experience and training, neither of which is gained through the manufacturing end of the business, as at present organized, but under the existing conditions in this country, with business in all lines developing at a marvellous rate, some crudities are liable to creep in or excrecences may develop even when the intentions are of the very best. The vagaries of the market must always be allowed for, and the speculator who must lose when it goes down is entitled to his advantage when it goes up, but it is decidedly in the interest of the producer that the cheese which he sells at 12 cents per pound should retail at 16 cents rather than 20 cents, and the why and the wherefore of the difference which I have mentioned is a matter worthy of his attention.

THE MARKET OUTLOOK.

The world's markets for dairy produce can hardly be said to be as optimistic as they were at this time last year, but it is rather difficult to see what reason there is for any depression. Times are good in the Old Country, and on the whole the statistical position would appear to be rather better than it was a year ago.

Of course, I must be considered a good deal of an amateur on this phase of the situation but it would appear to me that the announcement to the effect that practically the whole of the New Zealand outputs for 1912-13 are to be shipped on consignment must have had a "bearish" effect on the market. The knowledge that this large quantity of butter and cheese will be coming forward for sale during the winter months, would naturally give the British merchants a feeling of easiness in the matter of obtaining his requirements. Last year the position was reversed and nearly all the New Zealand factories contracted their outputs at the beginning of the season or say during the months of Septem-

ber and October. This weak feature of the market at the present moment will probably have disappeared by the time our new season begins, and on the whole I think we can safely say that the outlook for prices is good.

OUTLOOK FOR PRODUCTION.

My last point will be a brief reference to the outlook for production and then I shall have finished. Looking over the Dominion as a whole, we find evidence of considerable progress in some quarters. As I have already mentioned the Provinces of Alberta and Saskatchewan are increasing their output of butter quite rapidly and the growth would be more rapid if it were not for the difficulty of securing cows. The Dairy Commissioner for Alberta informs me that the demand is very keen and is far from being satisfied. The opening up of the Peace River and Northern British Columbian districts by the new lines of railway will bring large areas of excellent stock country within the reach of settlement, and it is the opinion of those who know this country that dairying is bound to be one of its chief industries. Ontario is the only other province for which we have any comparative figures of production. In the 1911 report of the Bureau of Industry of the Province, we find that with a decrease of exactly one hundred in the number of factories in operation and a decrease of 106,000 cows the production of cheese has *increased* since 1908 by over 6,000,000 pounds, and the output of creamery butter has *increased* to the extent of nearly 4,000,000 pounds, or about 50 per cent during the same period.

Taking these facts together there is a fair assumption that there has been a very marked improvement in the annual yield of milk per cow. Of course, there is nothing to show how much the above increase may be due to a diversion of milk or cream from the farm dairy to the cheese factory or creamery, but we have proof from other sources of such improvement, and I feel that I am justified in giving some credit for this satisfactory condition of things to the cow-testing movement which I have the honour to direct at Ottawa. The growing interest in this matter of the improvement of dairy herds is one of the most hopeful and encouraging signs of the times in relation to dairying. With prices going up and the yield of milk increasing—that is to say with profits increasing at both ends the production of milk must surely be stimulated.

There is another movement which is calculated I think to have a considerable influence on the future of the dairying industry in Canada, and that is the introduction of the milking machines upon which a fairly good start has already been made. Those who follow the course of dairy events abroad will know that the use of milking machines in New Zealand and Australia has become quite general, and it has undoubtedly been one of the factors in promoting the increased output in those countries. Quite a large number of milking machines have already been installed in Canada, and I am of the opinion that the time has come, considering the labour and other conditions which surround the production of milk, when a more general use of the milking machine would be an advantage in this country. I do not think the milking machine is likely to be used for the smaller herds but for herds of fifteen to twenty cows and over it seems to be entirely practicable. The use of the milking machines will encourage the keeping of more cows where the number is limited at present by the difficulty of getting milkers.

I have been obliged to treat this subject from a somewhat broader point of view than the title would indicate. It is impossible to discuss the dairying industry of Ontario as a unit in itself. The interests of this province in relation to dairying are so bound up with all the other provinces of Canada that what affects the Dominion as a whole affects Ontario and vice versa. Then again, owing to the fact that butter and cheese are articles of international commerce whose prices are affected by the world's markets we can get an intelligent view of the outlook for this Province or for Canada only by considering the situation in the widest possible manner.

ADDENDUM.

Bulletin II of the fifth Census of Canada has been published since the foregoing address was prepared. The comparative figures of the production of creamery butter and cheese by provinces in the years 1900 and 1910 are reproduced from that publication as additional evidence of the continued increase of dairy production in Canada. It should not be overlooked that the figures given refer only to butter made in creameries and to cheese produced in factories, and that the decrease in cheese production is more than equalled by the increase in butter production. One pound of butter is equivalent to a little more than two pounds of cheese. The increased demand for milk and cream for urban consumption represents a much larger quantity than that which has been used in adding to the butter and cheese output.

[*Bulletin II of the Fifth Census of Canada.*]

COMPARATIVE STATEMENT FOR 1900 AND 1911.

The following statement gives the quantity and selling value of butter and cheese made in Canada and the several provinces for the years 1900 and 1910 and the average price per pound, viz.:

Provinces.	1900		1910	
	lb.	value	lb.	value.
Butter.				
		\$		\$
Canada.....	36,066,739	7,240,972	64,698,165	15,645,845
Alberta.....	406,120	82,630	2,149,121	533,422
British Columbia.....	395,808	105,690	1,206,202	420,683
Manitoba.....	1,557,010	292,247	2,050,487	511,972
New Brunswick.....	287,814	58,589	849,633	212,205
Nova Scotia.....	334,211	68,686	354,785	88,481
Ontario.....	7,559,542	1,527,935	14,085,655	3,379,063
Prince Edward Island.....	562,220	118,402	670,908	156,478
Quebec.....	24,625,000	4,916,756	41,782,678	9,961,732
Saskatchewan.....	339,014	70,037	1,548,696	381,809
		cents		cents
Selling price per lb.....		20.0766		24.1828
Cheese.				
	lb.	\$	lb.	\$
Canada.....	220,833,269	22,221,430	199,904,205	21,587,124
Alberta.....	27,693	3,970	193,479	23,473
British Columbia.....	-	-	-	-
Manitoba.....	1,289,413	124,025	694,713	81,403
New Brunswick.....	1,892,686	187,106	1,166,243	129,677
Nova Scotia.....	568,147	53,321	264,243	29,977
Ontario.....	131,967,612	13,440,987	136,093,951	14,769,566
Prince Edward Island.....	4,457,519	449,400	3,293,755	354,378
Quebec.....	80,630,199	7,957,621	58,171,091	6,195,254
Saskatchewan.....	-	-	26,730	3,396
		cents		cents
Selling price per lb.....		10.0625		10.7987

The selling value of condensed milk in 1900 was \$269,520 and in 1910 \$1,814,871. The total value of butter, cheese and condensed milk in 1900 was \$29,731,922, and in 1910 \$39,047,840, which is an increase in the decade of 31.33 per cent.

